

## Collateral Yield Enhancement Strategy (CYES)

### FIRM OVERVIEW

|| \$12 billion AUM investment manager founded in April 2008.

|| Vetted and approved by numerous investment consulting firms, independent RIA platforms, and large broker-dealers.

|| Experienced team of 15 investment professionals with deep trading, portfolio management, marketing, operational and technology backgrounds.

|| Demonstrated success through the global financial crisis and other significant market events.

|| Robust infrastructure that efficiently integrates proprietary systems and processes with third-party custodians.

|| Full service solutions delivered with an emphasis on education, transparency and access.

### HARVEST OVERLAYS

Overlay

Cash

Fixed

Income

Equities

CONSISTENT

RETURNS

Deliver steady cash

flows over time, market

cycles and events

SIMPLE

SETUP

} No initial capital required

} No change to existing weightings

} No liquidation of holdings

} Maintain flexibility to change positions

Separately managed

account opened at

existing custodian

CONSERVATIVE

RISK

Construct and manage

to limit losses and

drawdowns

LIQUID &

TRANSPARENT

Exchange listed securities,

held and viewable at

existing custodian

COMPLEMENT

## PORTFOLIO

Low correlation of  
returns enhances  
portfolio

## OPEN

## COMMUNICATION

Emphasis on information  
sharing and education  
with client and advisors

## CYES – DESCRIPTION & HISTORICAL PERFORMANCE

CYES is an overlay that seeks to exploit the volatility risk premium and time decay properties of option premium by actively managing a portfolio of short-dated index option spreads on the S&P500 index (SPX). CYES sells options to generate premium while purchasing further out of the money options to contain risk. In a disciplined manner the strategy will seek to mitigate exposure to market directional or gap risk by defensively adjusting positions in response to a large move or reducing exposure ahead of specific market events.

## Consistent Returns

Returned +3.34% during financial  
crisis (Sept 08-Feb 09)

Positive returns in 7 of 9 years

~70% of months positive

Best month:

Best year:

Date

2018

2017

2016

2015

2014

2013

2012

2011

2010

2009

2008

Jan

## Conservative Risk

Only one drawdown exceeding 3%  
in 9 years (recovered in 2 months)

Only 6 months exceeding a 1% loss;  
only 1 month exceeding a 2% loss

+3.51%

+3.62%

Best trailing 12-month: +7.71%

Feb

-0.37%

0.47%

0.24%

0.16%

-0.01%

0.06%

0.89%

0.85%

Mar

-1.15% -0.63% -0.62%

0.44%

-0.39%

0.12%

-0.23% -0.25%

-0.13%

0.13%

0.30%

-0.29%

1.13%

0.24%

-0.17%

0.27%

0.43%

-0.23%

0.00%

0.56%

|| Low correlation to S&P500 of 0.07

Worst month:

Worst year:

Worst trailing 12-month:

Apr

May

0.96%

0.30%

0.14%

0.30%

0.18%

0.15%

0.27%

0.22%

0.29%

0.42%

0.26%

0.24%

0.26%

0.33%

0.12%

-0.98%

0.46%

0.15%  
0.76%  
0.92%  
Jun  
0.09%  
0.18%  
0.08%  
0.20%  
0.14%  
0.14%  
Jul  
0.14%  
-0.11% -0.30%  
0.26%  
-0.07%  
10%  
20%  
30%  
40%  
50%  
60%  
-2.83%  
-0.68%  
-1.99%  
Aug  
0.21%  
0.41%  
-1.12%  
0.02%  
-0.02% -0.13%  
0.29%  
0.33%  
-0.12% -0.18% -0.67% -0.36%  
-0.67%  
0.64%  
-0.05%  
-0.40% -1.26%  
1.75%  
-1.90%  
0.06%  
-0.05%  
0.59%  
0.42%  
0%  
Monthly Return Distribution  
(April 2008 – current)  
~85% of months between  
-0.5% and +1.0%  
TAX  
ADVANTAGED  
60% long term/40%

short term capital gains  
(IRC Section 1256)

CENTRALLY  
CLEARED

All positions centrally  
cleared and guaranteed  
by the OCC

Sep

0.06%

0.25%

0.67%

0.27%

0.30%

0.00%

0.88%

0.08%

0.30%

Oct

Nov

-0.33% -0.31%

0.24%

-0.35%

-0.59%

-0.12%

0.27%

-1.46%

0.18%

0.39%

-0.97% -2.83%

• Composite returns are calculated using the notional value of each client's account and generated net of actual transactional costs and fees, per the terms of the client agreement.

• Composite returns are constructed in compliance with the CFA Institute's Global Investment Performance Standards (GIPS) – [www.cfapubs.org/doi/pdf/10.2469/ccb.v2010.n5.1](http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2010.n5.1)

\*\*Past performance is not an indicator of future results. Please see disclaimers on the following pages\*\*

Dec

0.01%

-0.04% -0.13%

0.38%

0.05%

0.11%

0.35%

0.46%

0.36%

0.54%

1.65%

0.26%

-0.66%

0.10%

0.06%  
0.98%  
0.36%  
0.67%  
3.51%  
Year  
-1.19%  
0.71%  
0.64%  
1.54%  
-0.68%  
-0.61%  
2.31%  
0.59%  
1.95%  
3.62%  
3.06%  
Std. Dev.  
2.90%  
0.92%  
0.97%  
1.58%  
1.14%  
1.17%  
0.55%  
2.64%  
2.22%  
2.86%  
6.00%

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## IMPACT OF CYES OVERLAY SIZING ON BALANCED PORTFOLIO\*

|| Client's preference  
determines  
overlay size

|| Enhanced cash  
flow and risk  
adjusted returns

10.0

12.0

14.0

16.0

18.0

20.0

22.0

24.0

26.0

6.0

8.0

2008

2009

2010

2011

2012

### DEFINITIONS

AUM – Reflects the total firm notional and capital under management as of the report date.

Drawdown – Any losing period during an investment record. It is defined as the percent retrenchment from a performance peak to a performance valley.

Largest Drawdown – The largest percentage losing period from peak to trough that has occurred during the period of investment record.

Drawdown Period – The length of time it takes the largest drawdown to occur.

Drawdown Recovery – The subsequent time period required to recover the largest drawdown.

Internal Revenue Code (IRC) Section 1256 Contract – A regulated futures contract, foreign currency contract, non-equity option e.g. cash-settled S&P500

Index options (SPX), dealer equity option or dealer securities futures contract. Each contract held by a taxpayer at the end of the tax year is treated as if it

was sold for its fair market value, and gains or losses are treated as either short-term or long-term capital gains.

Correlation - Measure of the strength and direction of the linear relationship between two variables or data sets over a period of time.

Correlation can

vary between +1 to -1. Values close to +1 indicate a high degree of relationship, values close to -1 indicate a high degree of negative relationship, and

values close to 0 indicate very little relationship overall.

Annualized Standard Deviation – Annualized measure of dispersal or

uncertainty of investment returns. Often used as a measure of investment risk.

Specifically, it measures the degree of variation of monthly returns around the mean return for a given year. The higher the volatility of the investment returns, the higher the standard deviation.

Annualized Return – The calculated average yearly increase (or decrease) in the value of an investment, including the effects of compounding over a period other than a year. Annualized return indicates how an investment has performed and allows it to be compared to other investments.

Information Ratio – Annualized Return divided by Annualized Standard Deviation (with overlays using 0% benchmark).

Option Spreads – Selling a call (put) spread consists of selling a call (put) option and buying an equal number of call (put) options with a higher (lower)

strike price and the same (or longer) expiration.

OCC – The Options Clearing Corporation. Organization that operates under jurisdiction of SEC as the issuer and guarantor for listed options contracts.

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Options strategies are not suitable for all investors | Past results are not indicative of future performance

Before implementing the strategy, client must review the Options Clearing Corporation (OCC) publication, linked here:

<http://www.optionsclearing.com/about/publications/character-risks.jsp>

\$30mm Overlay

\$20mm Overlay

\$10mm Overlay

Portfolio

\* Balanced Portfolio assumes equal allocations (1/3 each) on 04/01/08 to:

Cash = Citigroup 3m Treasury-bill;

Bonds = Barclays Municipal Bond Index;

Equities = S&P500 Total Return Index.

2013

2014

2015

–All overlay returns net of fees and expenses–

2016

2017

2018

\$ Millions